

Message Text

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PAGE 01 ABIDJA 08907 081031Z

42

ACTION XMB-04

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R 071502Z NOV 74

FM AMEMBASSY ABIDJAN

TO SECSTATE WASHDC 844

INFO AMEMBASSY COTONOU

AMEMBASSY DAKAR

AMEMBASSY NIAMEY

AMEMBASSY NOUAKCHOTT

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PASS EXIM BANK

E.O. 11652: N/A

TAGS: BEXP, IV

SUBJECT: LANG ENGINEERING: STATUS REPORT ON SUGAR PROJECT

REFERENCE: ABIDJAN 8693

1. DURING NOVEMBER 1 MEETING WITH EXIM BANK DIRECTOR, KOBELINSKI, LANG AFRIQUE ABIDJAN-BASED REPRESENTATIVE PALMIERI REPORTED ON STATUS OF SUGAR PROJECT AT FERKESSEDOUGOU. AS INDICATED IN REFTTEL, LANG CONFIDENT OF OPENING PLANT NOVEMBER 18, WITH TRIAL RUN LASTING UNTIL END DECEMBER. PLANT WILL RECOMMENCE OPERATION FROM END JANUARY TO END APRIL AND EXPECTED TO PRODUCE 45,000 METRIC TONS (MR) OF SUGAR; I.E., 75 PCT OF PLANNED 60,000 MT CAPACITY. SHORT FALL DUE TO FACT THAT ONLY 4500 HECTARES OF PLANNED 6000 HECTARES OF CANES HAS BEEN PLANTED. (PLANNED CAPACITY IS BASED ON OBTAINING 10 PCT REFINED SUGAR FROM RAW CANE; I.E., 5000 MT OF CANE PROCESSED PER DAY YIELDS 500 MT REFINED SUGAR TIMES 120 DAY CAMPAIGN EQUALS 60,000 MT.) LANG HOPES THAT EFFICIENCY OF PLANT WILL RESULT IN 12 TO 13 PCT REFINED

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PAGE 02 ABIDJA 08907 081031Z

SUGAR YIELD. IF SO, LANG AFRIQUE'S TARNISHED IMAGE

WILL TO SOME EXTENT BE BURNISHED NOT ONLY IN IVORY COAST BUT ALSO IN OTHER WEST AFRICAN COUNTRIES WHERE LANG IS DOING OR SEEKING BUSINESS.

2. MAJOR PROBLEM ACCORDING TO PALMIERI IS WHETHER SODESUCRE HAS OR CAN ENGAGE ENOUGH QUALIFIED PERSONNEL TO MANAGE AND OPERATE PLANT ONCE SODESUCRE ACCEPTS IT FROM LANG. PALMIERI SAID LANG MAY PROPOSE TO ASSIST SODESUCRE IN THIS REGARD BY OFFERING A SPECIAL MANAGEMENT/OPERATIONAL TRAINING PROGRAM AND ENGAGING SUGAR EXPERTS. EXIM DIRECTOR KOBELINSKI URGED THAT LANG WRITE SODESUCRE EXPRESSING CONCERN REGARDING READINESS OF SODESUCRE TO UNDERTAKE OPERATION OF PLANT AND OFFERING TO ASSIST; KOBELINSKI STRESSED THAT IF PLANT WERE NOT TO OPERATE SUCCESSFULLY, LANG AFRIQUE WOULD LIKELY BEAR BRUNT OF BLAME IN WEST AFRICAN EYES REGARDLESS OF FACT THAT FAULT LAY IN SODESUCRE'S LACK OF TECHNICAL/MANAGERIAL EXPERIENCE.

3. REGARDING OUTSTANDING LANG CLAIMS (APPROXIMATELY 3 MILLION DOLLARS OF WHICH 1.7 MILLION IS RETENTION MONEY), PALMIERI EXPRESSED VIEW THAT NEGOTIATIONS WITH SODESUCRE WOULD BE DIFFICULT AND PROTRACTED.

4. COMMENT: AFTER LONG ARDOUS ROAD, EMBASSY SEES SUGAR AT END OF THE TUNNEL. WE CONTINUE TO HOPE PLANT WILL COMMENCE OPERATION AS PLANNED AND ACHIEVE--IF NOT EXCEED--PLANNED CAPACITY. PICTURE IS CLOUDY REGARDING LANG'S CHANCES OF OBTAINING CONTRACT FOR EXPANSION OF SUGAR PROJECT FROM 60,000 TONS CAPACITY TO 100,000 TONS. AS REPORTED REFTEL, LANG PRESIDENT RUSSELL CLOUGH STATED LANG INTENDS TO SEEK EXTENSION CONTRACT. GOIC OFFICIALS HAVE UNDERSTANDABLY DEFERRED DECISION ON CONTRACT AWARD UNTIL COMPLETION OF FIRST REFINERY. PALMIERI (WHO RESIGNED FOR LANG AFRIQUE ON GROUNDS HE DISAGREED WITH LANG'S PROPOSED "HEAVY HANDED" TACTICS FOR WRAP-UP FINANCIAL NEGOTIATIONS WITH SODESUCRE) TOLD EMBASSY HE DOUBTS LANG IS SINCERE IN STATING IT IS SEEKING LIMITED OFFICIAL USE

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PAGE 03 ABIDJA 08907 081031Z

EXTENSION. AS "PROOF" HE SAID LANG PLANS TO SELL APPROXIMATELY 2.8 MILLION DOLLARS OF EQUIPMENT PRESENTLY AT SUGAR REFINERY SITE; IN VIEW OF LEAD TIME IN ORDERING EQUIPMENT, SIGNIFICANT PRICE INCREASES, AND FACT THAT EQUIPMENT COULD EASILY BE SHIFTED TO NEW SITE JUST SOUTH OF PRESENT PROJECT, IT MAKES NO SENSE TO SEE THE EQUIPMENT IF LANG IS INTERESTED IN EXTENSION CONTRACT. GOIC OFFICIALS

FOR THEIR PART APPEAR IRREVOCABLY SOURED ON LANG
AND IT COULD WELL BE THAT LANG RECOGNIZES THAT ITS
POSSIBILITIES FOR OBTAINING EXTENSION CONTRACT ARE
VERY SLIM REGARDLESS OF HOW WELL SUGAR REFINERY
EVENTUALLY OPERATES.
SMITH

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